



An overview of policies on car importation and their effects **- *Case of Sri Lanka***

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Factors affecting Policies on Car importation in Sri Lanka

- FX Outflow
 - Large trade deficit (10.2% of GDP in 2015), limited reserves (USD 6b)
- State revenue
 - Low ratio to GDP (12.1% in 2015, 10.1% in 2014)
- Fuel efficiency
 - High fuel efficient vehicles to reduce fuel import cost
- Environment friendliness
 - Promote new and environment friendly cars
- Road space
 - Urban roads already highly congested
- Equity – for low income groups
 - Right to own a car
- Leasing facility
 - Low interest leasing increase car ownership

Current fiscal policy

- Engine capacity based taxing - higher tax/cm³ for high engine capacity vehicles
- Age based import restriction (< 3 years)
- High tax rates (normally over 100%) but relatively low rates for hybrid and electric cars

Tax regime on Cars

Engine capacity	Hybrid	Non hybrid
<1000cc	70% or Rs. 1,250 (US\$8.5)/cm ³	150% or Rs 1,750 (US\$12)/cm ³
1000cc – 1500cc	90% or Rs. 2,000 (US\$14)/cm ³	160% or Rs 2,750 (US\$18)/cm ³
1500cc – 1600cc	90% or Rs. 3,500 (US\$24)/cm ³	160% or Rs 4,000 (US\$27)/cm ³
1600cc – 1800cc	90% or Rs 4,000 (US\$27)/cm ³	160% or Rs 4,500 (US\$30)/cm ³
1800cc – 2000cc	125% or Rs 4,500 (US\$30)/cm ³	160% or Rs 5,500 (US\$37)/cm ³
2000cc – 3000cc	150% or Rs 5,000 (US\$34)/cm ³	220% or Rs 6,000 (US\$40)/cm ³
Other	200% or Rs 5,500 (US\$37)/cm ³	250% or Rs 6,000 (US\$40)/cm ³

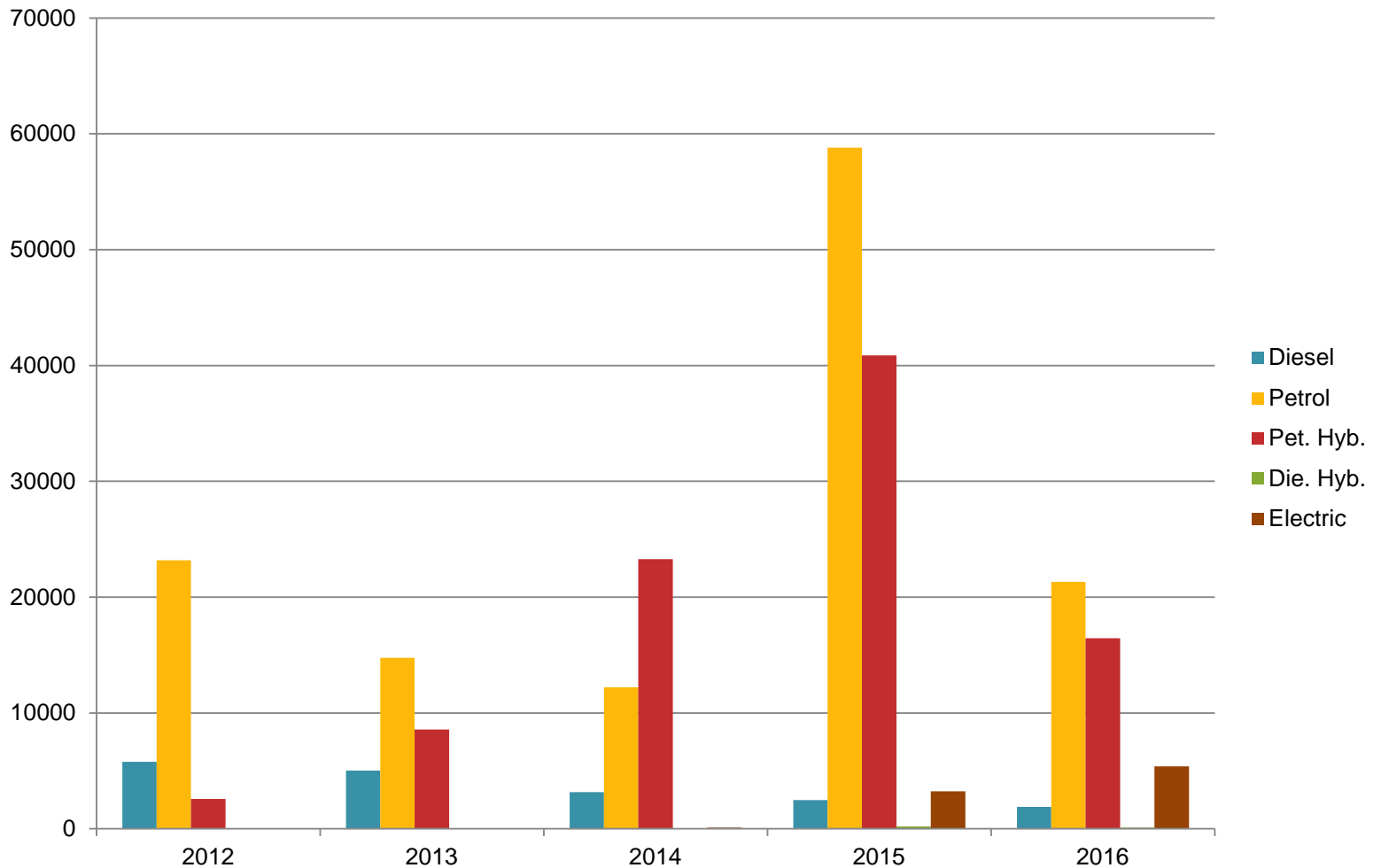
Electric Cars

<50 kW	– 30% of Rs 15,000 (US\$100)/kWh
50-100 kW	– 40% of Rs 25,000 (US\$170)/kWh
100-200kW	– 50% of Rs 40,000 (US\$270)/kWh
>200kW	– 50% of Rs 55,000 (US\$370)/kWh

Effects

- Good condition cars
- Small cars dominating
- Three wheelers overflowing
- Increased hybrid car population and rising electric car population
- Significant contribution to state revenue

New registration of cars



Reasons for high vehicle registrations in 2015

- Increased disposable income
- Low interest rate for leasing
- Relatively low taxes on hybrid and electric vehicle and those have engine capacity less than 1000cc

(Central Bank of Sri Lanka)

Fuel economy improvement (estimated)

Year	2012	2013	2014
Fuel economy (l/100km)	6.4	5.9	5.3

Annual average PM10 at Colombo Fort monitoring site

